

5. Share of Women-Owned Firms by Age of Firm and Region/State: 1991 and 1994

Region/State	Age of Firm			
	<5 Yrs.	5-8 Yrs.	9-11 Yrs.	12 Yrs.+
South Atlantic				
1994	36.2	24.8	11.9	27.1
1991	47.4	20.2	9.2	23.2
Delaware				
1994	30.5	29.4	12.0	28.0
1991	49.1	18.4	9.4	23.1
District of Columbia				
1994	40.9	23.1	12.6	23.4
1991	48.1	23.5	8.6	19.7
Florida				
1994	40.8	23.0	11.9	24.4
1991	45.9	21.9	9.9	22.4
Georgia				
1994	37.0	25.0	11.7	26.3
1991	46.8	20.8	9.4	23.0
Maryland				
1994	37.3	23.8	11.2	27.8
1991	48.4	18.6	9.3	23.7
North Carolina				
1994	29.7	28.7	12.0	29.6
1991	52.5	18.2	8.0	21.3
South Carolina				
1994	31.1	27.2	11.9	29.7
1991	50.3	18.4	8.1	23.2
Virginia				
1994	35.9	24.9	12.0	27.2
1991	47.7	19.9	9.1	23.3
West Virginia				
1994	28.8	24.7	12.9	33.6
1991	45.0	18.9	7.4	28.7
East South Central				
1994	34.1	25.7	11.4	28.7
1991	49.8	18.5	8.1	23.7
Alabama				
1994	36.8	24.5	11.6	27.1
1991	49.9	19.5	7.8	22.7
Kentucky				
1994	31.6	25.1	11.4	31.9
1991	46.4	18.3	8.6	26.7
Mississippi				
1994	31.7	25.8	11.8	30.7
1991	46.7	19.5	7.9	25.9

5. Share of Women-Owned Firms by Age of Firm and Region/State: 1991 and 1994

Region/State	Age of Firm			
	<5 Yrs.	5-8 Yrs.	9-11 Yrs.	12 Yrs.+
Tennessee				
1994	35.0	27.1	11.1	26.8
1991	53.5	17.3	7.9	21.3
West South Central				
1994	35.0	25.6	12.2	27.2
1991	48.4	19.8	9.0	22.8
Arkansas				
1994	36.4	24.6	10.7	28.3
1991	42.4	18.2	8.8	25.6
Louisiana				
1994	34.4	23.0	12.6	30.0
1991	45.7	19.9	9.1	25.3
Oklahoma				
1994	34.3	23.8	11.9	30.0
1991	48.7	18.8	8.2	24.3
Texas				
1994	35.1	26.6	12.3	26.0
1991	49.0	20.2	9.2	21.6
Mountain				
1994	33.5	30.3	11.7	24.5
1991	48.9	23.8	8.5	18.9
Arizona				
1994	33.9	31.4	12.0	22.7
1991	43.5	30.4	8.7	17.4
Colorado				
1994	33.4	31.1	11.7	23.8
1991	43.7	29.2	8.6	18.5
Idaho				
1994	31.1	31.1	11.7	26.1
1991	57.6	16.3	7.6	18.4
Montana				
1994	30.8	27.6	11.3	30.3
1991	50.1	17.4	8.9	23.6
Nevada				
1994	34.1	32.9	10.4	22.7
1991	57.3	16.1	8.3	18.3
New Mexico				
1994	35.3	28.7	11.4	24.5
1991	54.8	18.3	7.9	19.0

5. Share of Women-Owned Firms by Age of Firm and Region/State: 1991 and 1994				
Region/State	Age of Firm			
	<5 Yrs.	5-8 Yrs.	9-11 Yrs.	12 Yrs.+
Utah				
1994	38.0	23.0	12.4	26.7
1991	52.1	18.6	9.0	20.3
Wyoming				
1994	25.9	34.0	12.1	28.0
1991	56.4	15.6	7.9	20.1
Pacific				
1994	35.0	26.6	11.5	26.9
1991	48.6	19.0	9.4	22.9
Alaska				
1994	30.4	22.6	16.2	30.8
1991	28.0	29.3	12.8	29.9
California				
1994	36.4	25.7	11.1	26.7
1991	48.4	19.0	9.5	23.1
Hawaii				
1994	25.7	24.3	14.1	35.9
1991	32.7	22.6	11.1	33.6
Oregon				
1994	32.0	30.2	11.6	26.2
1991	52.9	17.8	8.2	21.1
Washington				
1994	31.0	30.1	12.2	26.7
1991	51.3	18.5	9.3	20.8

SOURCE: *Women-Owned Businesses: Breaking the Boundaries*, DBIS & NFWBO.

6. Share of All U.S. Firms by Age of Firm and Region/State: 1991 and 1994

Region/State	Age of Firm			
	<5 Yrs.	5-8 Yrs.	9-11 Yrs.	12 Yrs.+
Total U.S.				
1994	39.3	20.4	10.3	30.0
1991	41.7	20.3	7.7	30.3
New England				
1994	40.4	20.6	9.8	29.2
1991	43.6	18.8	7.2	30.5
Connecticut				
1994	32.8	26.0	10.3	30.8
1991	43.9	18.7	7.2	30.2
Maine				
1994	44.6	18.7	8.7	28.1
1991	49.6	16.3	5.9	28.1
Massachusetts				
1994	44.0	17.6	9.7	28.8
1991	41.3	19.5	7.5	31.7
New Hampshire				
1994	44.4	20.7	9.4	25.5
1991	49.6	17.9	6.6	25.9
Rhode Island				
1994	41.4	17.9	9.3	31.5
1991	35.3	20.0	7.7	36.9
Vermont				
1994	32.1	26.4	10.7	30.8
1991	48.4	17.8	6.3	27.4
Mid Atlantic				
1994	39.9	18.3	10.1	31.7
1991	33.6	21.2	8.7	36.5
New Jersey				
1994	37.1	18.9	10.5	33.4
1991	31.3	22.0	9.1	37.6
New York				
1994	43.3	17.3	9.9	29.5
1991	35.5	21.2	8.7	34.5
Pennsylvania				
1994	36.1	19.4	10.1	34.4
1991	31.8	20.7	8.2	39.3

6. Share of All U.S. Firms by Age of Firm and Region/State: 1991 and 1994

Region/State	Age of Firm			
	<5 Yrs.	5-8 Yrs.	9-11 Yrs.	12 Yrs.+
East North Central				
1994	36.7	19.2	11.3	32.9
1991	37.5	21.6	7.6	33.3
Illinois				
1994	35.6	19.1	13.5	31.8
1991	35.5	26.5	7.2	30.9
Indiana				
1994	37.3	19.5	10.5	32.8
1991	34.6	21.6	7.6	36.2
Michigan				
1994	38.7	19.2	10.2	31.9
1991	42.7	18.3	7.8	31.2
Ohio				
1994	36.9	18.4	10.4	34.3
1991	36.3	20.0	8.0	35.7
Wisconsin				
1994	34.5	20.4	10.3	34.8
1991	38.3	18.4	7.5	35.9
West North Central				
1994	31.3	22.4	11.4	35.0
1991	40.3	20.8	6.6	32.1
Iowa				
1994	28.2	28.0	11.2	32.6
1991	55.2	16.2	4.3	24.3
Kansas				
1994	33.4	21.6	10.7	34.4
1991	37.8	21.2	7.0	34.0
Minnesota				
1994	32.3	19.9	12.5	35.3
1991	35.0	24.8	7.4	32.9
Missouri				
1994	34.1	20.8	10.2	34.9
1991	35.1	20.2	7.8	36.9
Nebraska				
1994	27.9	22.0	11.9	38.3
1991	34.8	22.1	7.4	35.6
North Dakota				
1994	27.3	22.9	12.0	37.9
1991	37.8	21.5	6.6	34.1
South Dakota				
1994	26.2	23.8	13.2	36.8
1991	43.6	20.9	5.8	29.6

6. Share of All U.S. Firms by Age of Firm and Region/State: 1991 and 1994

Region/State	Age of Firm			
	<5 Yrs.	5-8 Yrs.	9-11 Yrs.	12 Yrs.+
South Atlantic				
1994	42.6	19.7	10.3	27.5
1991	39.6	21.7	8.3	30.3
Delaware				
1994	38.2	21.5	10.5	29.9
1991	38.3	20.9	8.2	32.6
District of Columbia				
1994	48.5	17.8	12.0	21.8
1991	37.6	30.2	8.9	23.3
Florida				
1994	49.1	18.0	9.8	23.1
1991	40.5	23.0	9.3	27.2
Georgia				
1994	43.8	19.1	10.1	27.0
1991	35.0	23.9	8.5	32.6
Maryland				
1994	44.7	18.3	9.3	27.6
1991	42.0	19.0	8.3	30.6
North Carolina				
1994	34.8	22.8	10.8	31.6
1991	39.9	21.1	7.2	31.8
South Carolina				
1994	36.7	22.1	10.5	30.7
1991	40.3	20.9	7.2	31.5
Virginia				
1994	38.9	21.2	10.5	29.4
1991	45.3	18.8	7.4	28.4
West Virginia				
1994	31.0	21.8	11.9	35.3
1991	34.8	23.1	6.9	35.2
East South Central				
1994	37.8	20.8	10.4	31.0
1991	38.2	21.6	7.3	32.9
Alabama				
1994	41.5	20.1	10.0	28.3
1991	38.6	22.3	7.0	32.1
Kentucky				
1994	36.3	20.2	10.0	33.5
1991	33.6	21.9	7.8	36.7
Mississippi				
1994	36.6	20.9	10.5	32.0
1991	39.2	21.7	6.5	32.5

6. Share of All U.S. Firms by Age of Firm and Region/State: 1991 and 1994

Region/State	Age of Firm			
	<5 Yrs.	5-8 Yrs.	9-11 Yrs.	12 Yrs.+
Tennessee				
1994	36.4	21.9	10.8	30.9
1991	40.9	20.7	7.5	30.9
West South Central				
1994	38.4	21.9	10.3	29.3
1991	51.9	16.8	6.8	24.4
Arkansas				
1994	36.9	20.9	10.1	32.1
1991	34.9	21.2	7.5	36.4
Louisiana				
1994	40.1	18.2	10.1	31.6
1991	33.4	22.5	9.0	35.1
Oklahoma				
1994	33.6	20.9	11.4	34.1
1991	34.8	21.9	8.9	34.4
Texas				
1994	39.2	23.1	10.2	27.5
1991	58.7	14.8	6.2	20.3
Mountain				
1994	37.6	23.8	10.7	27.9
1991	40.9	26.1	7.5	25.5
Arizona				
1994	40.1	24.5	11.2	24.2
1991	38.0	34.1	7.3	20.6
Colorado				
1994	38.8	24.2	10.6	26.4
1991	39.8	28.7	7.5	24.1
Idaho				
1994	33.3	23.7	10.6	32.4
1991	43.5	20.5	6.8	29.2
Montana				
1994	30.7	23.5	10.8	35.0
1991	39.6	20.1	7.5	32.8
Nevada				
1994	44.9	23.0	8.9	23.2
1991	47.9	18.9	8.1	25.1
New Mexico				
1994	35.7	25.0	10.1	29.1
1991	45.9	19.6	7.7	26.9

6. Share of All U.S. Firms by Age of Firm and Region/State: 1991 and 1994				
Region/State	Age of Firm			
	<5 Yrs.	5-8 Yrs.	9-11 Yrs.	12 Yrs.+
Utah				
1994	37.3	19.2	11.1	32.3
1991	40.3	21.4	7.7	30.6
Wyoming				
1994	24.6	28.6	11.4	35.4
1991	42.2	20.9	7.5	29.3
Pacific				
1994	42.4	20.8	9.4	27.3
1991	47.7	17.6	7.9	26.9
Alaska				
1994	45.1	14.4	11.8	28.7
1991	26.7	27.1	12.1	34.1
California				
1994	44.4	20.1	9.0	26.4
1991	49.8	16.7	7.7	25.8
Hawaii				
1994	38.2	17.5	10.7	33.6
1991	28.0	22.1	10.8	39.1
Oregon				
1994	34.4	24.6	10.6	30.5
1991	43.9	19.6	7.5	29.0
Washington				
1994	36.0	23.8	10.4	29.7
1991	42.6	19.8	8.3	29.3

SOURCE: *Women-Owned Businesses: Breaking the Boundaries*, DBIS & NFWBO.

7. Share of Women-Owned Firms by Financial Stress Score and Major Industry: 1991 and 1994

Major Industry	Financial Stress Score				
	Low Stress 1	2	Moderate Stress 3	4	High Stress 5
Total U.S.					
1994	34.5	35.6	15.2	7.2	7.5
1991	33.5	36.8	14.7	7.1	7.9
Major Industry					
Agriculture					
1994	51.3	31.3	10.1	3.9	3.5
1991	51.7	33.1	9.4	3.4	2.5
Mining					
1994	45.5	32.5	12.2	5.3	4.4
1991	48.8	32.4	9.9	4.4	4.4
Construction					
1994	21.6	34.9	19.2	10.4	13.9
1991	22.5	35.3	19.3	9.5	13.5
Non-Durable Manufacturing					
1994	25.3	35.4	18.9	8.7	11.7
1991	24.7	36.5	18.6	8.9	11.3
Durable Manufacturing					
1994	35.4	34.4	14.3	7.2	8.7
1991	35.2	34.9	13.4	7.2	9.3
Transportation/Communication					
1994	27.9	36.3	16.9	8.3	10.5
1991	27.8	37.3	16.6	8.2	10.1
Wholesale Trade					
1994	23.6	37.0	20.0	9.1	10.2
1991	24.3	37.3	19.8	8.4	10.2
Retail Trade					
1994	32.4	35.4	16.3	8.0	8.0
1991	30.8	36.6	15.6	7.8	9.1
Finance/Insurance/Real Estate					
1994	45.4	34.9	11.7	4.8	3.2
1991	44.0	37.4	9.9	5.0	3.6
Business Services					
1994	35.9	38.4	13.9	6.4	5.4
1991	34.3	40.7	13.0	6.6	5.4
Personal Services					
1994	54.5	34.3	6.9	2.5	1.7
1991	53.1	36.6	6.6	2.4	1.3
Other Services					
1994	45.6	34.5	11.1	4.7	4.1
1991	45.3	35.2	10.6	4.8	4.1

SOURCE: *Women-Owned Businesses: Breaking the Boundaries*, DBIS & NFWBO.

8. Share of All U.S. Firms by Financial Stress Score and Major Industry: 1991 and 1994

Major Industry	Financial Stress Score				
	Low Stress 1	2	Moderate Stress 3	4	High Stress 5
Total U.S.					
1994	39.1	33.3	13.8	6.6	7.1
1991	38.6	33.8	13.4	6.5	7.7
Major Industry					
Agriculture					
1994	62.3	24.7	7.3	3.1	2.6
1991	62.2	25.7	6.9	2.8	2.4
Mining					
1994	45.3	33.9	11.2	5.1	4.5
1991	45.0	34.0	10.5	5.2	5.2
Construction					
1994	29.1	36.4	16.9	8.1	9.6
1991	29.0	36.0	17.3	7.6	10.2
Non-Durable Manufacturing					
1994	32.7	32.5	15.8	8.0	10.9
1991	33.5	32.3	15.1	7.8	11.3
Durable Manufacturing					
1994	39.3	31.9	13.1	7.0	8.6
1991	39.1	31.5	12.8	7.1	9.5
Transportation/Communcation					
1994	34.5	34.6	15.3	7.0	8.6
1991	35.7	34.1	14.6	6.7	8.9
Wholesale Trade					
1994	31.2	35.5	17.0	7.7	8.6
1991	32.6	34.9	16.1	7.4	9.1
Retail Trade					
1994	37.7	33.4	14.4	7.2	7.3
1991	37.3	34.1	13.6	7.0	8.0
Finance/Insurance/Real Estate					
1994	47.3	33.5	11.0	4.7	3.6
1991	44.3	36.9	9.9	4.6	4.2
Business Services					
1994	34.6	36.8	14.6	7.3	6.7
1991	34.3	38.2	13.5	7.0	7.0
Personal Services					
1994	58.2	29.7	7.0	2.8	2.2
1991	57.3	31.4	6.6	2.8	1.9
Other Services					
1994	51.6	29.9	9.8	4.5	4.1
1991	51.0	30.7	9.4	4.5	4.4

SOURCE: *Women-Owned Businesses: Breaking the Boundaries*, DBIS & NFWBO.

9. Characteristics of Women-Owned Firms With 100+ Employees				
Characteristics	All U.S. Firms	Women-Owned Firms		
		Total	<100 Employees	100+ Employees
TOTAL	100%	100%	100%	100%
Region				
New England	5.9	6.3	6.2	5.9
Mid Atlantic	15.6	14.3	14.2	16.0
East North Central	15.5	15.7	15.8	18.3
West North Central	7.6	7.1	7.3	6.2
South Atlantic	16.9	16.9	16.8	17.2
East South Central	5.0	5.2	5.4	5.5
West South Central	10.6	10.6	10.7	9.4
Mountain	6.0	6.6	6.6	4.3
Pacific	16.9	17.4	17.0	17.1
Major Industry				
Agriculture	3.7	2.2	2.1	0.6
Mining	0.5	0.2	0.2	0.3
Construction	11.0	3.9	4.0	2.3
Non-Durable Manufacturing	2.9	3.4	3.5	7.8
Durable Manufacturing	3.2	2.1	2.2	6.4
Transportation/Communications	3.6	3.0	3.0	5.0
Wholesale Trade	7.5	5.7	5.9	3.5
Retail Trade	22.9	31.9	33.1	14.5
Finance/Insurance/Real Estate	8.8	7.0	6.7	7.1
Business Services	6.3	9.3	9.3	16.5
Personal Services	5.4	10.2	10.2	1.5
Other Services	24.4	19.8	19.8	34.4
Financial Stress Score				
1-Low Stress	39.1	34.5	35.6	42.0
2	33.3	35.6	35.3	30.4
3-Moderate Stress	13.8	15.2	14.7	12.3
4	6.6	7.2	7.1	6.6
5-High Stress	7.1	7.5	7.3	8.8
Payment Index				
Pay on time (80-99)	36.3	33.1	33.4	23.5
Pay <30 days late (50-79)	57.3	58.9	58.6	72.5
Pay 30+ days late (1-49)	6.4	8.0	8.1	3.4

SOURCE: *Women-Owned Businesses: Breaking the Boundaries*, DBIS & NFWBO.

National Women's Business Council

1992 Annual Report to The President and Congress

EXECUTIVE SUMMARY

This summary includes the complete text of the 1992 recommendations to the President and Congress which have resulted from the Council's investigations. The implementation of these recommendations is a top priority of the National Women's Business Council, its supporters, and its constituency of women business owners.

The remainder of the report has been summarized. The complete annual report, as well as copies of all hearing transcripts and survey data, is available at the Washington office of the Council. For information on how these may be obtained, contact:

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CAPITAL—THE KEY TO GROWTH

Three years of Council investigations into the status of women-owned businesses left no doubt that the foremost barrier women perceived was that of access to capital. At every level—from the small, home-based business operating on creativity and sheer nerve to the expanding corporation preparing to go public—lack of access to adequate funding was the constant concern and the overwhelming reason cited for failures.

The seriousness of this concern led the Council to focus this year on the problem of access to capital, and the search for remedies to the problem. The results of our investigations led us to change the colors of our logo to the colors of U.S. currency: It is that important.

THE PROBLEM THAT EXISTS AT EVERY LEVEL

Three levels of women-owned businesses come under Council scrutiny:

- The start-up business or small home-based or service business that is still struggling to establish a foothold in the marketplace.
- The "mezzanine" business, established and running well, but needing capital for growth. Recent studies have shown that the number of woman-owned businesses in this phase is increasing at a far greater rate than businesses in general.
- The established larger businesses, many of which are capital-intensive, seeking major expansion funding. The number of women-owned firms in capital-intensive sectors grew dramatically in the 1980's, and should continue to expand rapidly if sources of capital increase.

The list of concerns and barriers at all three levels is strikingly similar. We therefore request that the Congress and the new administration give this common problem—access to capital—their immediate and most serious attention.

1992 RECOMMENDATIONS

As a result of our investigations over a three year period, an analysis of the information that has been gathered, and our search for viable methods of removing the greatest barriers to women business owners, the National Women's Business Council requests that the President and Congress act immediately upon the recommendations that follow. The Council has focused on specific areas which we have concluded will be most beneficial to the largest number of women business owners at all three levels: start-up, mezzanine and investment-level.

DEFINITION

It is ironic that one of the barriers to development of programs facilitating access to capital for women business owners and the inclusion of women-owned businesses in currently recognized special categories is the lack of agreement on what constitutes "woman-owned." There is currently no agreed-upon definition in general usage across all government agencies, even at the federal level. The collection of accurate data concerning women-owned businesses has been virtually impossible.

The Council, in response to expressions of concern from public as well as private sources, has studied the varying definitions of women-owned businesses, and has concluded that the definition outlined in Recommendation #1 best meets the needs of both government agencies and the businesses affected.

BANKING

The recommended legislation dealing with banking practices outlined in Recommendation #2 is presented as a response to the recommendations of the experts involved in the Access to Capital Symposium as well as the testimony gathered at NWBC hearings. It will affect all women-owned businesses, but is particularly focused on the mezzanine level businesses seeking capital.

INVESTMENT

The larger woman-owned firm is often seeking the level of capitalization generally not available through a standard bank loan, and may not currently have access to the type of venture capital required. Recommendation #3 deals with this problem, and is a direct result of testimony at hearings and expert recommendations from the Symposium.

PROCUREMENT

Today, the U.S. Small Business Administration estimates that over one-third of all U.S. businesses are woman-owned. Despite this, only 1.5% of all federal procurement dollars are awarded to woman-owned businesses. The elimination of this dramatic inequity is addressed in Recommendation #4.

RECOMMENDATION #1

A Standard Definition of "Woman-Owned" Business

There is currently no standard definition of "woman-owned" business for federal government usage. The NWBC recommends the following wording for all federal government purposes. (Please note that the SBA is currently promulgating regulations along these lines.)

DEFINITION

A woman-owned business is a business concern with at least 51 percent unconditional ownership and control by a woman or women. Such unconditional ownership must be reflected in the concern's ownership agreement; and the woman, or women, must manage and operate the business on a daily basis.

JOINT VENTURE AGREEMENTS

A woman-owned business must control the performance of the contract awarded to the joint venture for the venture to qualify as a woman-owned business.

SUBCONTRACTING

A business concern shall not be qualified as a woman-owned business unless it meets the criteria mentioned above and it controls a significant portion of its contract with its own facilities and personnel.

CONTROL AND MANAGEMENT

An applicant concern's management and daily business operations must be controlled by a woman or women. An applicant concern must be managed on a full-time basis by one or more women. The U.S. Small Business Administration will consider, on a case-by-case basis, the actual management involvement of women in the applicant concern. A woman must hold the highest ranking in the organization.

The woman or women shall control the Board of Directors of the applicant concern, either in actual numbers of voting directors or through weighted voting. Men may be involved in the management of an applicant concern, and may be stockholders, partners, officers, and/or directors of such concern. However, these men may not exercise actual control or have the power to control the applicant concern.

FRANCHISE AND LICENSE AGREEMENTS

In determining whether the franchisor controls, or has the power to control, the restraints relating to standardized quality, advertising, accounting format and other provisions, imposed on a franchisee by its franchise agreement shall generally not be considered, provided that the franchisee has the right to profit from its efforts and bears the risk of loss commensurate with ownership. Even though a franchisee may not be controlled by the franchisor by virtue of such provisions in the franchise agreement, control could arise through other means, such as common ownership, common management or excessive restrictions upon the sale of the franchise interest.

RATIONALE

The late Gillian Rudd, in introducing the National Foundation for Women Business Owners/Cognetics study of women owned businesses, stated

"The 1992 Presidential initiative to improve this country's economic statistics omits any mention of one of the fastest growing segments of the economy, women business owners. Federal economic statistics are numbers that move the economy nationally and internationally. It is vital to policy makers, the business community and researchers that these statistics be of the highest quality and provide a true reflection of today's economy. To ignore women-owned businesses is to neglect one of the decade's major social and economic changes."

Current data from a variety of sources indicates that an astounding growth is taking place in women-owned businesses—that they are a far larger factor in our economy than is generally realized, anywhere from thirty to forty per cent of all businesses in this country. Yet there cannot be an accurate count without a generally accepted definition of what constitutes a woman-owned business.

At both the Denver hearing on telecommunications and the Arlington, Texas hearing on high technology, women business owners talked of their frustration in identifying and qualifying for government set-asides and incentives to small and disadvantaged businesses. Even federal agencies are not consistent in their definitions, and each state develops its own guidelines. The federal government can and must set a standard for both data collection and procurement purposes.

The Missouri Pilot Study which the Council commissioned was designed to assess the possibility of complete and accurate data collection regarding women-owned businesses. This study did indeed provide a useful model for such studies which can produce accurate data on a national level, data eagerly sought by both government and private entities. In order to complete this study, a specific definition of "woman-owned" had to be devised. That definition is reflected in this recommendation, and in the regulations currently being promulgated by the U.S. Small Business Administration.

RECOMMENDATION #2

Stimulating Bank Lending

In recognition of the critical role played by small businesses in the economic structure, and the increasing importance of women-owned small businesses in that structure, we urge the President and Congress to act to stimulate bank lending as follows:

- A. The National Women's Business Council recommends that the banking regulators revise the FIRREA regulations to provide preferential risk weighting for those portfolio loans provided to women-owned (as defined in Recommendation #1) or minority businesses whose borrowings are greater than the Small Business Administration's qualified loan limits and less than the sum of \$5 million.
- B. The National Women's Business Council recommends that Congress enact the necessary legislation to facilitate the creation and operation of a secondary market for securitized "small" business loans with consideration for enhanced guarantees on loans to women and minority owned businesses.

RATIONALE

The resounding unanimity of feedback with which the National Women's Business Council was met during the Federal Reserve-hosted Access to Capital Symposium in Washington, D.C. in September, 1992 confirmed that the greatest barrier to woman-owned small business growth and development is lack of access to capital. This barrier is most severe for those women business owners who have established and grown their enterprises to reasonable proportions. They find themselves beyond the size at which the U.S. Small Business Administration programs are appropriate and below the size at which venture capitalists become interested. Specifically, these are businesses whose needs for additional capital range from \$1 million to \$5 million.

Lending in these ranges is clearly the domain of the banking industry. It is the position of the National Women's Business Council that bank lending should reflect prudent practice, unencumbered by legal regulatory constraints whose definition or administration make unattractive the inclusion of viable small business loans in the bank's lending portfolio.

A November, 1992 study of small and mid-sized businesses sponsored by Arthur Andersen's Enterprise Group and National Small Business United reported that a total of 24 percent cited "cutting regulations" as the number one task for the new administration and Congress, and almost half of these named easing of bank regulations to improve access to credit as their top priority.

FIRREA AS A DETERRENT TO LENDING

A critical deterrent to bank lending for emerging businesses is represented in the Financial Institutions Reform, Recovery and Enforcement Act of 1989 (FIRREA) legislation which defines the financial health of banking institutions in terms of risk rated capital ratios. Specifically, banks must allocate valuable capital to portions of their lending portfolios based upon the perceived risk these loans represent as defined by the regulatory community.

At the NWBC's Symposium on Access to Capital, bankers testified to the dampening effect of the FIRREA regulations on their ability to grant small business loans, particularly to women and minorities. Changes in these regulations were cited universally as a necessary step in making capital available to these groups.

The major recommendation to come out of this symposium involved allowing banks to price for risk so that they can make loans to women-owned businesses which often do not fit the standard profile for traditional funding sources. (A more complete review of the results of the Access to Capital Symposium is included in this annual report.)

One area banker's comment was telling:

" . . . and we don't need more regulation, for god's sake. We're regulated to death. And if we continue to get regulation, we're not going to have any latitude in making independent decisions on these loan requests."

His remarks were backed up by another panelist, who cited banking industry estimates that it spends more than \$10 billion annually on regulatory compliance—59 percent of the profits of the entire banking system in 1991!

SECURITIZATION AS AN INCENTIVE TO LENDING

One of the three key problems in obtaining capital for women-owned businesses cited by the experts at the Symposium was the lack of availability of loan sources in mid-range, between the very small loans and the level of venture capital. Because women business owners tend to be concentrated in small businesses with relatively low funding needs and in industries lacking traditional collateral (See report on the Missouri Pilot Study, Page 20) they tend to be unattractive to lenders.

Funding the development of these and other small businesses would be greatly facilitated through the provision of a secondary market, making capital available through a national reservoir. As banks attempt to meet the lending needs in their individual communities, they will be better able to provide long term commitments to developing businesses through the securitization of small business loans whose subsequent sale to institutional investors will free bank capital and make additional funds available for investment in local communities.

Allowing financial institutions to operate as conduits delivering available funding to small businesses, without having to portfolio these loans, will not only bring more capital to developing businesses but will mitigate the risk to the banking industry associated with non-diversified portfolios.

RECOMMENDATION #3

Securitization of Small Business Loans

The small business growth cycle includes a third and final stage in which the business has evolved to the point at which its requirements for capital are insufficient to attract the attention of venture capitalists, but beyond the level at which community banks can address these funding needs.

The National Women's Business Council recommends that in enacting the previously recommended legislation to facilitate the creation and operation of a secondary market for the securitization of small loans, the parameters established for defining these loans be sufficiently broad so as to include those businesses whose asset values may be as high as \$18 million and whose annual net income may be as high as \$6 million.

RATIONALE

Venture capital specialists who have participated in the Council's recent hearings and in the Symposium on Access to Capital have been blunt. Women-owned businesses, even those few seeking capital at the level which might interest venture capital sources, rarely fit the profile of the few ventures funded each year. For the larger woman-owned business, alternative financing options must be sought.

GENDER BASED DIFFICULTIES—NON-GENDER SPECIFIC NEEDS

Women in both high technology industries and telecommunications who actually had found funding in the \$6 to \$18 million range told of difficulties which seemed far beyond what should be expected for companies with records of successful and profitable operation. At this top level of small business as well as the start-up level, women do not fit traditional, comfortable profiles, and compete less successfully for scarce expansion dollars. Those who have succeeded demonstrate remarkable tenacity as well as top level professionalism.

At earlier stages in the business growth cycle women tend to seek and achieve lower levels of funding, and appear to succeed with less start-up and expansion money. (See the report on the Missouri Pilot Study, Page 20, and the results of the Special Focus Groups, Page 28.) At this stage, however, that is not possible. Financing needs of the mid-sized business seeking capital are not gender-based—a woman-owned firm cannot get by with less.

BROADER BENEFITS

Providing funding to these businesses, whether woman-owned or not, can be a complex process. A secondary market for loans granted to businesses in this category will provide the essential momentum for the businesses to grow to the point of recognition in the venture capital, regional banking and national banking arenas. This was also a recommendation of both the 1980 and 1986 White House Conference on Small Business. The benefits of small business loan securitization will accrue to all small businesses, and thus to the economy as a whole.

RECOMMENDATION #4

Federal Procurement Standards

- A. The National Women's Business Council strongly urges that Congress mandate action by all federal agencies to set prime and sub contracting goals for women-owned businesses.**

B. The National Women's Business Council strongly urges Congress to expand the current Department of Defense section 1207 set-aside authority to the civilian agencies that have been required by law to increase their contracts to women-owned businesses.

RATIONALE

Today, the U.S. Small Business Administration estimates that over one-third of all U.S. businesses are woman-owned. Despite this, only 1.5% of all federal procurement dollars are awarded to woman-owned businesses. This dramatic inequity is perpetuated by the lack of legislative mandates that specifically target women-owned businesses for assistance in entering the federal procurement system. The U.S. Small Business Administration has taken the lead in interpreting the Congressional data collection requirements as a basis for requesting goals from all federal agencies for prime and sub contracts awarded to women-owned businesses.

The Department of Transportation was until recently the only federal agency which designated women as disadvantaged business owners on a par with minorities for purposes of their state grant programs. In addition, Congress recently passed laws with language specifically including women-owned businesses in the targets they set for small and disadvantaged business participation. Specifically, the Department of Energy, NASA and EPA have all received these directions, but without the tools to target women-owned businesses. In other words, the language did not clearly include set-aside authority for women-owned businesses; the set-aside authority these agencies have to meet these new goals is primarily under the 8(a) program—where women are not a designated group.

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1992 - A YEAR OF ACHIEVEMENT

This year's recommendations to the President and Congress were based on a full program of hearings and data collection, as summarized in the following brief report.

THE SYMPOSIUM ON ACCESS TO CAPITAL— SEPTEMBER, 1992

The investigations of the NWBC over the past four years have indicated that the most pervasive barrier to success for women business owners is lack of access to capital; the Council decided to take a hard look at the realities of the capitalization picture for women-owned businesses today and in the future and at the same time stimulate creative thinking by the experts on solutions to the problem.

The Access to Capital Symposium brought together experts in banking, venture capital, microloan programs, and government and private programs with Council members, SBA representatives and selected women business owners in a discussion designed to develop proposals for ensuring access to capital for women business owners.

RESULTS

Symposium participants identified three specific solutions to the problem of access to capital which they proposed for government and private sector action:

1. Changes in banking practices including more unsecured credit, allowing banks to price for risk so they can make some of these loans, better use of contract financing and accounts receivable funding.
2. Increase the number and types of lending pools/funds, including public/private partnerships and joint ventures.
3. Allow banks special categories for small business loans (or high risk small businesses).

In addition, it was proposed that the Federal Reserve hold regional symposia on access to capital in each of their regions. The Board of Governors of the Federal Reserve have agreed to host such programs, and they are expected to commence in the third quarter of 1993.

THE MISSOURI PILOT STUDY

The NWBC mandate includes the review of data collection procedures and the availability of data on women owned businesses. The lack of accurate and complete data of this type led the Council to select as one of its major projects the completion of a research pilot which would provide guidance to public and private sector organizations in selecting a methodology for collecting demographic and attitudinal information on United States women business owners.

The state of Missouri was selected by the NWBC and the SBA's Office of Economic Research for use in this pilot test. The premise of the proposal was that creation of a reliable sample in a typical state could then be used as a model for a national sample of women-owned businesses.

END PRODUCT/CONCLUSIONS

Two reports were produced from this investigation; a methodology report and a set of tabulations that describe the demographic characteristics and financial history of the study participants. The final product of the methodology portion is a manual which gives a complete picture of how the experiment was done, along with the implications for a national study. This manual could be handed to a statistician as established guidelines for creating an accurate sample and estimating the cost of creating such a sample.

FINDINGS

The findings of the study are cited in detail in the Annual Report, and in depth in the Pilot Study Report, available in the NWBC office.

The results of the State of Missouri pilot project lead the Council to place a high priority on the following future activities:

1. That the National Women's Business Council work with the appropriate public and private sector organizations to implement ongoing national survey research on women business owners at regular intervals.
2. That the methodology handbook created by the National Women's Business Council pilot study be given wide distribution in the public and private sectors to assist in the creation of a reliable sample for national survey research.
3. That focus group, executive interviews and experimental research be considered to further explore certain findings of both the National Women's Business Council pilot and focus group projects, e.g., length of time in business, gender differences, access to capital and related funding issues.